CONFIDENTIAL

September, 1973

INTELLIGENCE

REPORT of The Herald of Freedom

THE SONNENFELDT CASE —

The press, led by the N.Y. TIMES and the Washington POST, has charged to the rescue of Helmut Sonnenfeldt, an insider whose steady rise in the behind-the-scenes bureaucracy ruling the American people may be coming to the end, now that he has emerged from behind-the-scenes. While the Senate Finance Committee is considering his nomination as Under Secretary of the Treasury, the House Internal Security Committee is checking into his subversive background. Powerful forces are bringing pressure to bear to have Sonnenfeldt, top assistant to Henry Kissinger, confirmed in spite of his previous espionage activities.

President Nixon nominated the 46-year old Sonnenfeldt to be Under Secretary of the Treasury in which post Sonnenfeldt would have the responsibility of shaping the Administration's plans for increasing East-West trade and for establishing a new international monetary system that would include Communist nations. Several former Foreign Service career officers filed objections and testified against the nomination which was referred to the Senate Finance Committee for confirmation hearings on May 15, 1973.

On July 26, 1973, Congressman John M. Ashbrook of Ohio, Senior Republican Minority member of the House Internal Security Committee, opened hearings on the Federal Civil Employees Loyalty Security Program. The hearings are being held in executive session and informed sources state that Otto Otepka's testimony about security risks employed by the State Department will be shocking when published. Mr. Otepka personally handled one of the investigations on Helmut Sonnenfeldt, which involved a 24-hour a day surveillance, a legal wiretap on his telephones and the interviewing of numerous witnesses. It was conclusively determined that on more than one occasion Sonnenfeldt had turned over secret documents and confidential information to unauthorized persons among whom were agents of a foreign power.

Assistant Attorney General Henry E. Petersen, who is in charge of the Criminal Division of the Department of Justice, recently testified before the Senate Watergate Committee and was in complete support of President Nixon's innocence in connection with Watergate. He is also in complete support of Sonnenfeldt. When Petersen's attention was called to Paul Scott's syndicated column which revealed details of Sonnenfeldt's act of turning over secret documents to foreign agents, he replied as follows: (Quote)

This is in response to your recent letter to the Attorney General concerning a recent newspaper article by Paul Scott discussing the nomination of Mr. Helmut Sonnenfeldt to be Under Secretary of the Treasury Department and whether he would be a suitable candidate for that position.

Executive Order 10450 requires that an investigation be made of all employees of the executive branch before they can be accepted for a position. The Order further requires that all persons privileged to be employees in the executive branch must be loyal to the United States, and that no one may hold such a sensitive position with the government unless his employment is determined to be clearly consistent with the interests of the national security. These requirements apply, of course, to all presidential nominees, including those to be an Under Secretary.

In accordance with that Order, the Federal Bureau of Investigation has conducted a number of investigations of Mr. Sonnenfeldt's character and loyalty in connection with various positions he has held in that executive branch in the past. In all of those cases, the results were determined to be favorable. Thus, although we cannot disclose the contents of any of the Bureau's investigative files to one outside the Federal government, the results of these investigations do not support Mr. Scott's suggestion in his article